

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 OPIC-03 COME-00 TRSE-00  
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E.O. 11652: N/A  
TAGS: EINV, RP  
SUBJECT: MCMILLAN PUBLISHERS REPATRIATION PROBLEM

REF: 77 STATE 298582

1. SUMMARY. THIS CASE MAY BE ON THE WAY TO RESOLUTION. IT HAS THE ACTIVE ATTENTION OF AN ABLE ACCOUNTANT AND A GOOD LAWYER, WHO ANTICIPATE THAT THE COMPANY WILL BE ABLE TO PROVIDE REQUIRED DOCUMENTATION TO THE CENTRAL BANK. RECENT POSITIVE MOVEMENT ON THE CASE INDICATES THAT THOUGHTS OF TURNING TO A "GREY MARKET" TO REMIT PROFITS ARE INAPPROPRIATE, AND IN ANY CASE THE EMBASSY WOULD NOT RECOMMEND SUCH ACTION. END SUMMARY.

2. EMBASSY OFFICERS HAVE DISCUSSED MCMILLAN REPATRIATION PROBLEM WITH THE FORMER AND PRESENT COMPANY REPRESENTATIVES IN MANILA, WITH THE COMPANY'S ACCOUNTANT, ATTORNEY, AND BANKER, AND WITH OFFICERS OF THE FOREIGN EXCHANGE DEPARTMENT OF THE CENTRAL BANK, WHICH IS CHARGED WITH ADMINISTRATION OF LAW ON REMITTANCE OF PROFITS AND DIVIDENDS.

3. THE FORMER LOCAL MANAGER, EDWARD DRAGG, PROVIDED DETAILS OF THE PROBLEM FROM HIS PERSPECTIVE, SHORTLY BEFORE HIS RECENT DEPARTURE FROM THE COUNTRY. HIS ACCOUNT ESSENTIALLY SQUARES  
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WITH THAT SET FORTH IN REFTEL, WITH THE ADDITIONAL INFORMATION THAT THE ISSUE IS DIVIDED BETWEEN TWO LOCAL BRANCHES, B.SKF. COLLIER, INC., AND MERRIT STUDENT ENCYCLOPAEDIAS, INC. THIS DISTINCTION HAS SIGNIFICANCE, SINCE RESOLUTION OF THE PROBLEM IS BEING PURSUED SEPARATELY WITH RESPECT TO THE TWO COMPANIES. DRAGG CONFIRMED THAT THE GOVERNMENT'S REQUEST FOR A BREAKDOWN OF HOME OFFICE EXPENSES WAS A

FRICION POINT, AND THAT THE HOME OFFICE WAS RELUCTANT TO SET A PRECEDENT. IN GENERAL, DRAGG EXPRESSED FRUSTRATION WITH WHAT HE REGARDED AS CENTRAL BANK (CG) DELAYING TACTICS. THE PRESENT COMPANY REPRESENTATIVES IN MANILA, FLORDELIZA SUPETTRAN, DOES NOT APPEAR TO BE KNOWLEDGEABLE ABOUT THE CASE.

4. A RATHER DIFFERENT LIGHT IS CAST ON THE MATTER BY ATTORNEY JOSE ONG, TAX SPECIALIST FOR THE ACCOUNTING FIRM OF SYCIP, GORRES AND VELAYO. ONG APPEARS TO BE THE MOST KNOWLEDGEABLE PERSON ON THE CASE AT THE PRESENT TIME, AND HE BELIEVES THAT DRAGG HIMSELF CREATED SOME OF HIS OWN PROBLEMS. ACCORDING TO ONG, DRAGG DID NOT PROVIDE REPORTS REQUIRED BY GOP AGENCIES, AND APPARENTLY WAS NOT GIVING A FULL AND ACCURATE PICTURE TO HIS HOME OFFICE. ONG HAS HEARD THAT DRAGG IS NO LONGER WITH THE COMPANY, THOUGH THE PRESENT LOCAL MANAGER, SUPETTRAN, THINKS THAT DRAGG TRANSFERRED TO THE HEAD OFFICE.

5. ONG CLAIMS THAT SIGNIFICANT PROGRESS IS BEING MADE ON THE B.F. COLLIER CASE, WHICH HE HOPES TO RESOLVE BEFORE TURNING TO MERRIT. IN OCTOBER 1977, DOCUMENTARY MATERIAL WAS SUBMITTED TO THE CB AND THE BOARD OF INVESTMENTS. REGISTRATION OF THE INVESTMENT WAS APPROVED, THE CB APPROVED SOME OF THE DOCUMENTS, AND MORE MATERIAL WAS SUBMITTED TO THE CB IN DECEMBER. OF THE TOTAL AMOUNT REQUESTED FOR REMITTANCE (7,828,447 PESOS, OR \$1,072,000), ONG UNDERSTANDS THAT 4,698,616 PESOS, REPRESENTING REMITTANCE FOR THE PERIOD TO LIMITED OFFICIAL USE

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1973, WILL SOON BE APPROVED. 1974 AND 1975 ARE APPARENTLY AWAITING JUSTIFICATION OF HEAD OFFICE ALLOCATIONS, PLUS OTHER DOCUMENTATION. ONG THOUGHT THAT THE ESSENCE OF THE PROBLEM IS THAT IN CARRYING OUT THE CB PROCEDURES FOR THE REMITTANCE, THE CB WANTS TO PROVE THAT THE CLAIMED INVESTMENT HAS ACTUALLY BEEN MADE. COMPANIES WHICH HAVE BEEN HERE FOR SOME TIME, SUCH AS COLLIER AND MERRIT, PRESENT A DOCUMENTATION PROBLEM, AND GATHERING OF THE NECESSARY MATERIAL IS THE PRINCIPAL BOTTLENECK. ONG SAID THAT HE HAS RECENTLY BEEN IN TOUCH WITH JAMES KRESSLER OF THE MCMILLAN NEW YORK OFFICE, AND THAT HE ANTICIPATES NO DIFFICULTY IN ULTIMATELY PRESENTING THE REQUESTED MATERIAL TO THE CB.

6. THE CB FOREIGN EXCHANGE DEPARTMENT CONFIRMS PROGRESS ON THE CASE. ON JANUARY 25, THE CB OFFICIALLY REQUESTED COLLIER'S 1977 FINANCIAL STATEMENT AND A CERTIFICATION THAT IT HAS NO OUTSTANDING PESO BORROWINGS. CB OFFICIALS WERE NON-COMMITAL, BUT INDICATED THAT APPLICATION FOR THE FULL REMITTANCE WOULD BE LOOKED UPON FAVORABLY ONCE THE RECENT REQUEST FOR DOCUMENTATION IS MET. CENTRAL BANK CIRCULAR NO. 365, PERTAINING TO REGISTRATION AND REPATRIATION OF FOREIGN INVESTMENTS AND REMITTANCES OF PROFITS AND DIVIDENDS,

IS BEING POUCHED TO EA/PHL.

7. LUCIANO SALAZAR, PARTNER IN A WELL-KNOWN LAW FIRM AND LOCAL COUNSEL FOR THE COMPANY'S INTERESTS, TOLD AN EMBASSY OFFICER THAT HE HAS NOT HERETOFORE BEEN ACTIVELY INVOLVED IN THE CASE, BUT FOLLOWING A RECENT TELEPHONE CALL FROM FRED GREENMAN IN MCMILLAN'S NEW YORK OFFICER, HE WILL BE COORDINATING CLOSELY WITH JOSE ONG. HE POINTED OUT THAT HE AND ONG HAVE EXTENSIVE EXPERIENCE IN DEALING WITH THE CB IN CASES OF THIS TYPE, AND HE KNEW OF NO OBSTACLES TO RESOLVING THE ISSUES.

8. COMMENT: THE CB'S DESIRE TO OBTAIN ALL PERTINENT MATERIAL IS UNDERSTANDABLE, AS IS MCMILLAN'S FRUSTRATION AT THE SLOW LIMITED OFFICIAL USE

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PACE OF DEVELOPMENTS, FOR WHICH THEIR FORMER REPRESENTATIVE PROBABLY BEARS SOME RESPONSIBILITY. THE IMPORTANT CONSIDERATION, HOWEVER, IS THAT THE CASE IS CLEARLY MOVING AND HAS THE ACTIVE ATTENTION OF AN ABLE LAW FIRM AND WELL-QUALIFIED ACCOUNTING FIRM, BOTH OF WHICH ARE INFLUENTIAL AND WELL-CONNECTED. IN THIS CIRCUMSTANCE, WE ASSUME THAT MCMILLAN INTEREST IN THE "GREY MARKET" HAS WANED. IN ANY CASE, A MARKET OF ANY SHADE OTHER THAN WHITE WOULD BE REGARDED BY CB AUTHORITIES AS AN EVASION OF FOREIGN CURRENCY REGULATIONS, AND THE EMBASSY WOULD NOT RECOMMEND IT AS A MEANS OF SOLVING REPATRIATION PROBLEMS. END COMMENT.  
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## Message Attributes

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